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HAROLD B. WILLEY

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1955

No. 66

RIVERBANK LABORATORIES,
a corporation,

Petitioner,

vs.

HARDWOOD PRODUCTS CORPORATION,
a corporation,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR RESPONDENT

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BRIEF FOR RESPONDENT

THE QUESTIONS PRESENTED

The Petition presented two questions which Petitioner now renumbers as 1 and 3. These may be summarized as follows:

1. Is the defense of "not doing business" to be tested by the *International Shoe* case, 326 U.S. 310 (1945), or is it governed under *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938), by the rules of State court decisions?

3. Did the Court of Appeals fail to apply the settled Illinois doctrine even under the rule of *Erie R. Co. v. Tompkins?*

Petitioner attempts in its brief to expand the two questions to three, by introducing as a new second question an inquiry concerning 28 U.S.C. § 1404 (a), having to do with transferal of proceedings. This additional question is not presented on the record.

STATUTE INVOLVED

The applicable statute controlling venue in diversity cases involving a corporate defendant, is:

> 62 Stat. 869 (1948), Title 28 U.S.C., § 1391(c). A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

STATEMENT

This action was commenced as a declaratory judgment action[1] by Petitioner, an Illinois corporation, against Respondent, a Wisconsin corporation, before any alleged injury occurred. Petitioner later amended its complaint and characterized the action as one for unfair competition (R. 157, 158). The controversy involves the right of the public, including Respondent, to continue to apply the word "Riverbank", which had been used to designate certain sound insulating doors during the 17 year life of a licensed patent, after that patent expired.

Respondent contends that the situation falls squarely within the doctrine of *Singer v. June,* 163 U.S. 169 (1896), and that "Riverbank" passed into the public domain. Petitioner claims immunity from the *Singer* doctrine because of exceptions to the general rule.

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[1] The Bill of Complaint, filed February 25, 1954, asked for a declaration (R. 9) that Respondent's rights would expire March 30, 1954 (R. 10).

Since Petitioner injects an issue involving the geography of the alleged injury some amplification of the Statement is necessary. In 1935 (R. 56, 57), Petitioner participated with the individuals, Sabine and Henry O. Ludlow, in a joint endeavor for the exploitation of a certain insulating door invention (R. 144), then the subject of a pending patent application (R. 143). To this enterprise, Petitioner lent its name, to-wit: "Riverbank Insulating Door Company" (R. 144).

Sabine and Ludlow on behalf of "Riverbank" went from Chicago to Neenah, Wisconsin, to discuss with Respondent the possibility of the latter making the door of the invention, subsequently called the "Riverbank" sound insulating door (R. 79). A license agreement was concluded as a result of this visit, not with Petitioner, but with Riverbank Insulating Door Company in which Petitioner was interested (R. 144). Under this license, Respondent was required to pay a royalty of 20%, and for over 17 years, commencing before the patent issued, Respondent paid royalty. The patent expired May 11, 1954.

After Petitioner's emissary went to Wisconsin and induced Respondent to accept a license, Respondent, there in Neenah, Wisconsin, established its business of making, labeling and selling the "Riverbank" doors, which activity continued in Wisconsin throughout the life of the patent (R. 19). It was in Neenah, Wisconsin, that the right of the public[1] to use the word "Riverbank" arose.

[1] Architects were encouraged to specify the doors of the patent by designating them "Riverbank" in specifications which they prepared. (R. 88, 91) Construction contractors bid on and contracted to furnish the doors specified by using the word "Riverbank". Respondent, as a supplier, was but one link in a chain of supply in which the public was the party ultimately concerned.

When this action was sought to be commenced in Illinois, Respondent, by timely motion, sought dismissal for lack of venue so that if the action were tried at all it would be tried in Wisconsin where Respondent made and marked the doors "Riverbank."

The District Court overruled the motion to dismiss (R. 183) and granted an injunction in advance of trial (R. 190), in spite of conflicting affidavits (R. 159, 190) and without regard for the disruption of the affairs of contractors and architects as well as the public depending upon their services.

Were it not for the preliminary injunction this matter would not now be before this Court, since it was on appeal from the preliminary injunction that the Court of Appeals reversed and ordered dismissal for failure of venue. On the appeal the validity of the order granting the injunction was strongly challenged on the basis of the doctrine of *Singer v. June;* but the Appeal Court held it could not and it did not pass on this important issue because of the venue defect (R. 211).

In the event this Court finds the Petitioner's position correct on the points raised on the petition, then this matter should be returned not to the District Court but to the Court of Appeals for the 7th Circuit for further proceedings in connection with the appeal.

Factual Issues Resolved Below Contrary To Petitioner's Statement

Petitioner's statement in its brief (p. 3-4) outlines certain activities which Petitioner claims Respondent carried on in Illinois. Some of these are not in dispute, but others present circumstances upon which the parties do not agree. The Trial Court entered no written findings

other than the general conclusion that Respondent was "doing business in the city of Chicago" (R. 192). The opinion of the Circuit Court below (R. 211-213) stands as the only specific, formal resolution of the factual issues. For example,

(a) Petitioner states (Br. p. 3) that Defendant was actively engaged despite termination of its right to use the name "Riverbank" in soliciting business at its Chicago office under the word "Riverbank." Except for activities prior to expiration of the patent, this is based on an isolated item of evidence procured by a Richard Hammersberg by making a request for information three days after the patent expired. In response, Respondent's Chicago office mailed a leaflet describing the "Riverbank" door. No unlicensed sale of any door marked "Riverbank" was shown to have occurred in Illinois.

(b) Petitioner states (Br. p. 4) that Respondent had written agreements with Illinois corporations providing for encasing of *its* sound insulating door units which were manufactured in Illinois. This is directly disputed. It is claimed by Respondent that if any doors were encased in Illinois, they were doors which had been sold by Respondent in, and shipped from, Neenah, Wisconsin, and were no longer the property of Respondent at the time they were encased. The transactions in question were simple outright sales from Neenah, Wisconsin, to a customer in Illinois, as a careful reading of the record citations given (to-wit: R. 31-34, and 138-139) will show.

(c) Petitioner notes that Respondent purchased in Illinois, in fact from its licensor, Riverbank Sound Insulating Door Company, certain hardware items called "threshold closers" which were shipped to Neenah, Wisconsin, and there assembled with and furnished with the

sound insulating doors which Respondent sold under the name "Riverbank." The Court below stated:

> "Usually and customarily the closers were shipped in stock lots to the defendant at Neenah, Wisconsin, but, upon occasion, instructions were issued by the defendant to ship the closers direct to a customer." (R. 214)

Thus, the incidental character of isolated cases of shipment (R. 26) direct from Illinois to the customer was recognized by the Lower Court.

(d) Petitioner further asserts that an *"important part* of the duties of Defendant's Chicago manager was to make drawings and sketches and to consult with architectural and engineering firms." As to this, the Court below noted:

> "Conferences with engineers and architects for the purpose of having them include sound insulating doors in the plans and specifications, should properly be listed as a part of a salesman's activities. Surely, it would avail a salesman of sound insulating doors little were he to wait until construction of a project was commenced." (R. 214)

SUMMARY OF ARGUMENT

1. The existence and character of State created private corporations are derived from the laws of the States and "citizenship" for diversity jurisdiction is a conclusive presumption based thereon. Whether a foreign corporation is "doing business" in a State is dependent upon State law in the same way and to the same extent as is "citizenship". The rules of the several States are not uniform, but depend upon their individual requirements and policies.

In diversity cases the prevailing rule has been to determine the question of whether a foreign corporation is "doing business" on the basis of the law of the State in accordance with *Erie v. Tompkins,* 304 U.S. 64 (1938). The case of *International Shoe Co. v. Washington,* 326 U.S. 310 (1945), which sets the standard for the minimum demands of due process, does not require the States to surrender their rights to determine their own non-conflicting standards.

The rule of *Erie v. Tompkins,* as applied below, is consistent with the decisions in other jurisdictions. The assertions of conflict have become a faint echo treated in a footnote.

2. The question of *forum non-conveniens* is not presented on the record.

3. Rule (4) (d) (7), F.R.C.P., is not brought into question by the decision below.

4. The Illinois rule was correctly interpreted and applied. The Court below was urged to hold, but avoided a holding in the absence of support of the record, that the activities of Respondent which were the subject matter of the issue "were actually centered in and emanated from Illinois". The center of Respondent's activity has always been confined to Neenah, Wisconsin. This controversial holding is sought for purposes which are obscure and requires a factual review which this Court should not be asked to make.

ARGUMENT

I.

IN A DIVERSITY CASE STATE LAW PREVAILS

General Considerations

This is a case in which Federal jurisdiction is determined merely on diversity of citizenship. Both parties are corporations and it is, therefore, essential to ascertain, in the first instance, the States whereof these corporate litigants are citizens. It is taken for granted that these essential facts are to be determined in the light of the laws of Wisconsin and Illinois. If the formalities and rules of the chartering States are to be ignored in favor of a concept of a pervading corporate existence throughout the entire geographical area within which any activity of a corporation may be detected, complications immediately arise.

It is beside the point, therefore, to argue that a corporation should not be accorded characteristics which a natural person cannot claim. Unless corporations are to be abolished, a character differing from that of a natural person, in certain respects, must be accepted.

The very existence of a corporation, its conferred citizenship, its rights, powers and obligations are created by and depend upon the laws of the States creating or accepting its presence. Until the year 1948, the Federal enactments under which United States courts obtained their jurisdiction in diversity cases were couched entirely in terms applicable to natural persons. The word "corporation" did not appear. The courts, prior to 1948, conferred upon corporations those attributes necessary to rational jurisdiction of them in diversity cases.

As the necessary concepts evolved the corporate equivalent of a natural person, traveling into a State of which he was not a citizen was said to arise when the corporation sent its agent into a State other than the State of its creation and caused that agent to do the business of the corporation. In this way, "doing business" acquired a special and technical meaning in the light of the requirements of each State. *Louisville Railroad Company v. Letson,* 2 Howard 497 (1844); *Ex parte Schollenberger,* 96 U.S. 377 (1877).

It is natural that certain States have found that it is acceptable, even desirable, public policy to extend more liberal privileges to foreign corporations. In many instances, States such as Illinois, having within their borders large and fully developed mercantile centers have adopted a comparatively hospitable attitude such as would attract the maximum corporate activity to their centers. States differently situated, because of geography or otherwise, with their commerce carried on by a large number of scattered enterprises, as is the case where agriculture is a dominant activity, have often found it advisable to conduct a more careful supervision of corporate commerce entering from neighboring States.

THE PREVAILING RULE

Because of differences between the States, a divergence has appeared with reference to the meaning of the term "doing business". Such was well recognized and had become an accepted aspect of the decisions in 1948, when Congress, in enacting 28 U.S.C. 1391 (c)[1], provided that in diversity cases a foreign corporation was to be subject

[1]The statute involved reads: "1391(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."

to suit, among other circumstances, *in the jurisdiction where,* "it is * * * doing business." Congress thus codified the decision law by adopting the technical term "doing business."

International Shoe Did Not Displace Erie

Petitioner acknowledges (Pet. Br. p. 14) that the "prevailing" view of the decisions is that the rule of *Erie R. Co. v. Tompkins,* 304 U.S. 64 (1938), governs and State court decisions defining "doing business" are determinative. Notwithstanding, Petitioner urges this Court to hold to the contrary. Petitioner seeks to support this plea by arguing that the decision in *International Shoe Co. v. Washington,* 326 U.S. 310 (1945), reflects a sweeping, new view of the matter, "a wholly new approach" (Pet. Br. p. 10), and that the minority views in *Polizzi v. Cowles Magazines, Inc.,* 345 U.S. 663 (1953), include statements urging adoption of the *International Shoe* rule as an exception to the rule of *Erie v. Tompkins.*

It is further argued by Petitioner that the States, looking to the United States Supreme Court decisions for the constitutional limits of due process, should be assumed to extend their powers to the limit available. Upon this reasoning it is argued that the prevailing rule is the result of a stunted *renvoi,* the States being the victims of their own self-shackling process.

The case of *International Shoe Co. v. State of Washington,* 326 U.S. 310 (1945), which petitioner points to as establishing and adopting a "wholly new approach" to the due process question underlying the "doing business" rule, does not declare itself revolutionary at all. Rather, it appears to be a normal interpretation of prin-

ciples long laid down in cases such as *International Harvester Co. v. Kentucky*, 234 U.S. 579 (1914).

It is evident that a State can obtain jurisdiction on the basis of the minimum presence discussed in the *International Shoe* case. It is conceivable that activities even more restricted than those discussed in the *International Shoe* case might afford a basis upon which a State could assert jurisdiction without violating due process. These considerations are not those which are applicable here. The Illinois rule is not challenged in this proceeding as a rule failing to satisfy the minimum standards of the *International Shoe* case. Quite the contrary, the Illinois rule is here attacked on the basis that it fails to exert the full power which Illinois has at its disposal.

Nothing expressed by this Court in *International Shoe* can be construed as a mandate that State courts must adopt the minimum contact test involved therein as both ceiling and floor of the test for doing business.

The case of *Polizzi v. Cowles Magazine, Inc.*, 345 U.S. 663 (1953), upon which Petitioner places much dependence, is not helpful in determining the question. In that case the question decided was the application of 28 U.S.C. 1441 (a) relating to removal cases. This provision of the statutes quite plainly fixes initial jurisdiction and venue under the following terminology:

> "* * * any civil action brought in a State court * * * may be removed * * * to the district court of the United States for the district and division embracing the place where such action is pending."

In the *Polizzi* case this Court had before it no more than the question of initial jurisdiction.

Notwithstanding the language of some decisions which speak of validity of service, when discussing the "Venue

Generally" provisions of 28 U.S.C. 1391(c), this enactment need not and should not be interpreted as a mere reminder of the possible bases upon which initial jurisdiction of a corporation can be taken. The statutes make it perfectly clear that jurisdiction is satisfied even in the absence of residence as long as there is express or implied waiver. This is demonstrated by 28 U.S.C. 1406(b) which provides that:

> "Nothing contained in this chapter shall impair the jurisdiction of a district court of any matter involving a party who does not interpose timely and sufficient objection to the venue."

Further; rule 4(d), (3) and (7) F.R.C.P., which is concerned with service initially, does not concern itself with venue standards. Thus, as far as bringing the defendant into court in the first instance is concerned, the floor, that is to say the minimum standards discussed in *International Shoe,* may well apply in determining the validity of the service. But, "timely and sufficient objection to venue", if made, may raise, as in this case, the question under 28 U.S.C. 1391(c), of whether the defendant was "doing business."

The "doing business" question, seasonably raised, is then to be determined in accordance with *Erie v. Tompkins,* subject to the same rules that would apply if the question were raised in the State Court of the forum as more fully discussed below.

There is thus a span between the ceiling set by the adopted rules of the States and the floor set by *International Shoe* within which the venue provisions of 28 U.S.C. 1391(c) exist as a reality. Petitioner would force this ceiling down tightly against the floor rendering 28 U.S.C. 1391(c) a nonentity as far as the words "doing business" are concerned.

Perhaps the most important reason for recognizing the distinction between jurisdiction initially obtainable by service on the one hand and the venue privilege of dismissal under 1391(c) on the other, is that without the distinction a conclusion might be drawn which could lead to State interference with Federal service of process.

The Erie Rule As Applied

Since 1938, when the doctrine of *Erie R. Co. v. Tompkins* was enunciated, a number of cases have considered whether a "general" federal rule or the local state law is determinative of what constitutes "doing business". They have predominantly, apparently unanimously, favored application of the state rule. The most recent expression of the rule in the 3rd Circuit is *Partin v. Michaels Art Bronze Co., Inc.*, 202 F. 2d 541 (C.A. 3rd, 1953), where the court stated, at page 544:

> "But despite plaintiff's reliance upon the International Shoe case, we do not reach that question here. An examination of Pennsylvania Supreme Court decisions discussed in the recent case of Lutz v. Foster and Kester Company, Inc., 1951, 367 Pa. 125, 79 A. 2d 222, shows us pretty clearly that the Pennsylvania courts would not regard this defendant corporation as subject to their jurisdiction. We do not, therefore, get to the question of how far Pennsylvania could go if it cared to exercise all the power it constitutionally had."

In the 5th Circuit in 1954, in *Lone Star Package Car Co. v. Baltimore & O. R. Co.*, 212 F. 2d 147 (C.A. 5th, 1954), in a decision which points to both *Erie R. Co. v. Tompkins* and *Angel v. Bullington*, 330 U.S. 183 (1947), the court stated at page 153, footnote 4:

> "* * * it would seem that in both classes of cases [those based on diversity of citizenship which are

> either removed from state court or filed originally in federal court] the Erie rule is applicable on the question of whether a foreign corporation is doing business in a state in such manner as to subject itself to local jurisdiction. See Partin v. Michaels Art Bronze Co., 3 Cir., 202 F. 2d 541, 542, note 2; Woods v. Interstate Realty Co., 337 U.S. 535, 69 S. Ct. 1235, 93 L. Ed. 1524."

In the 9th Circuit in a district court decision, *Kenny v. Alaska Airlines,* 132 F. Supp. 838, 847 (S.D. Cal., C.D., 1955), the following appears:

> "We think that in diversity suits originally filed in the federal courts, the question of whether the foreign corporation is doing business or was present in the state, i.e. the question of jurisdiction over the person, is to be resolved by reference to the law of the state in which the federal district court sits. Our conclusion is predicated upon the broad pronouncement of Justice Brandeis in Erie R. Co. v. Tompkins, 304 U.S. 64, at page 78 * * * ."

The Court of Appeals for the 7th Circuit in 1952, in *Canvas Fabricators v. William E. Hooper & Sons, Co.,* 199 F. 2d 485, 486 (C.A. 7th, 1952), expressed the view following:

> "The primary contested issue is whether defendant was 'doing business' in the State of Illinois so as to be amenable to local process. * * * This being a diversity case, it can hardly be doubted but that the main question for decision is controlled by local law."

The Court of Appeals for the 7th Circuit thus has followed, plainly and clearly, a rule which has been fully recognized. The decision of the Court below in the instant case is couched in similar language as follows:

> "In *Canvas Fabricators* and in *Roberts,* we pointed out that in diversity cases the law of Illinois must control * * * ." (R. 213)

The exact question of whether *Erie* applies in interpreting "doing business" in 28 U.S.C. 1391(c) has not been presented to this Court for its decision, but the careful analyses of the *Erie* doctrine which have been made available through such decisions as *Angel v. Bullington,* 330 U.S. 183, 192 (1947), and *Guarantee Trust Co. v. York,* 326 U.S. 99, 108-109 (1945), furnish an unusually firm basis for so holding.

The essence of the *Erie* doctrine, reflected in *Guarantee Trust Co.,* is that in diversity suits, where a federal court sits, as it were, as a state court, resort to the federal court should not be available as a means for creating or denying rights determinative of outcome, whether substantive or not, contrary to the State law applicable in the district where the court is sitting.

As this Court stated in *Guarantee Trust Co. v. York,* 326 U.S. 99, 112 (1945):

> "The operation of a double system of conflicting laws in the same State is plainly hostile to the reign of law. Certainly, the fortuitous circumstance of residence out of a State of one of the parties to a litigation ought not to give rise to a discrimination against others equally concerned but locally resident. The source of substantive rights enforced by a federal court under diversity jurisdiction, it cannot be said too often, is the law of the States."

In the same case at page 109, it is observed that:

> "* * * *Erie R. Co. v. Tompkins* was not an endeavor to formulate scientific legal terminology. * * * The nub of the policy that underlies *Erie R. Co. v. Tompkins* is that for the same transaction the accident of a suit by a non-resident litigant in a federal court instead of in a State court a block away should not lead to a substantially different result. * * * A policy so important to our federalism must be kept free

from entanglements with analytical or terminological niceties."

The *Guarantee Trust* case was followed shortly by *Angel v. Bullington,* 330 U.S. 183, 188 (1947), in which it is fully recognized that:

> " * * * The Contract Clause, the Full Faith and Credit Clause, the Privileges or Immunities Clause, all fetter the freedom of a State to deny access to its courts howsoever much it may regard such withdrawal of jurisdiction 'the adjective law of the State,' or the exercise of its right to regulate 'the practice and procedure' of its courts. *Broderick v. Rosner,* 294 U.S. 629, 642."

But, on page 192, it was reiterated that:

> "Cases like *Lupton's Sons Co. v. Automobile Club,* 225 U.S. 489, are obsolete insofar as they are based on a view of diversity jurisdiction which came to an end with *Erie Railroad v. Tompkins,* 304 U.S. 64. That decision drastically limited the power of federal district courts to entertain suits in diversity cases that could not be brought in the respective State courts or were barred by defenses controlling in the State courts."

In line with this reasoning, the plea of Petitioner, that a rule other than the rule of Illinois should be substituted in determining whether Respondent was "doing business" in the sense required for venue, should be tested not against any "brooding omnipresence of Reason," or "wholly new principles", but against such limitations of the Constitution as might preclude the State of Illinois from adopting the rule which there prevails. Obviously the contract clause is not offended, nor is there any withholding of faith and credit. The privileges and immunities of no one are abridged. Nor does Petitioner point

to any provision of the constitution which is in contravention of the Illinois rule.

Certainly a suit which could not be started and maintained in a state court at all, should not by some magic of word become maintainable in a federal district court sitting in a simple diversity case as another court of the State. Directly in line with this reasoning was the statement of this Court in *Woods v. Interstate Realty Co.*, 337 U.S. 535, 538 (1949), to the effect:

> "* * * The *York* case was premised on the theory that a right which local law creates but which it does not supply with a remedy is no right at all for purposes of enforcement in a federal court in a diversity case; that where in such cases one is barred from recovery in the state court, he should likewise be barred in the federal court. The contrary result would create discriminations against citizens of the State in favor of those authorized to invoke the diversity jurisdiction of the federal courts. It was that element of discrimination that *Erie R. Co. v. Tompkins* was designed to eliminate."

It is not a question of whether the issue here is substantive or procedural. A number of matters traditionally classified as procedural are affected by the *Erie* doctrine as has been noted by Alfred Hill, Professor of Law, Southern Methodist University, in an article entitled "State Procedural Law in Federal Non-Diversity Litigation", 69 Harvard L. Rev. 66, 71-72, where the following is asserted:

> "* * * Accordingly, in diversity cases, the law of the state in which the federal court sits must now be followed in such matters as statutes of limitations,[20] statutes of frauds,[21] statutes requiring security for costs in stockholder litigation,[22] conflict of laws rules,[23] *res ipsa loquitur*,[24] presumptions,[25] burden of

proof rules,[26] and in general any local procedural rules which would effectively bar enforcement of the claim in the courts of the forum state.[27] * * * "

"[20]Guaranty Trust Co. v. York, *supra* note 19; Wells v. Simonds Abrasive Co., 345 U.S. 514, (1953); *cf.* Ragan v. Merchants Transfer & Warehouse Co., 337 U.S. 530 (1949).

[21]Macias v. Klein, 203 F.2d 205 (3d Cir.), *Cert. denied,* 346 U.S. 827 (1953). The statute of frauds of the forum state seems usually to have been followed even before *Erie.* See cases cited note 89 *infra.*

[22]Cohen v. Beneficial Industrial Loan Corp., 337 U.S. 541 (1949).

[23]Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487 (1941).

[24]See Lobel v. American Airlines, Inc., 192 F.2d 217, 219 (2d Cir. 1951), *cert. denied,* 342 U.S. 945 (1952); Hamilton v. Southern Ry., 162 F.2d 884, 886 (4th Cir. 1947).

[25]See Mark v. City of Ormond Beach, 113 F. Supp. 504 (S.D. Fla. 1953); 5 Moore, Federal Practice § 43.08 (2d ed. 1951).

[26]Cities Serv. Oil Co. v. Dunlap, 308 U.S. 208 (1939); Palmer v. Hoffman, 318 U.S. 109 (1943). Burden of proof rules and presumption rules are of course intimately related. Where they do not operate to set a minimum quantum of proof in particular situations but merely fix or shift the burden of going forward with the evidence it is arguable that the law of the forum state need not be followed. *Cf.* Central Vt. Ry. v. White, 238 U.S. 507, 511-12 (1915); Note, *State Trial Procedure and the Federal Courts: Evidence, Juries, and Directed Verdicts Under the Erie Doctrine,* 66 Harv. L. Rev. 1516, 1518-

19 (1953). *But cf.* 5 Moore, *op. cit. supra* note 25, § 43.08.

[27]See Angel v. Bullington, 330 U.S. 183 (1947); Woods v. Interstate Realty Co., 337 U. S. 535 (1949); *cf.* First Nat'l Bank v. United Air Lines, Inc., 342 U.S. 396 (1952)."

The prevailing view, applied below, that the local state rule is determinative is based upon the plain implications of *Erie R. Co. v. Tompkins,* as amplified by the related cases, and should be upheld as the rule of this case.

Petitioner's Assertion of Conflict Has Become Submerged

The petition was presented initially with the assertion that "great confusion, amounting to a conflict exists". In Petitioner's brief this is relegated to a footnote consisting of a compilation of cases purportedly classified into conflicting categories. The burden of this footnote is a heavy one if this petition was granted on the basis of the assertion of confusion.

In every case cited in the footnote where the question was considered by the court, and the rule of *Erie R. Co. v. Tompkins* was available, the court indicated that it was bound by the rule prevailing in the State in which the district was situated.

II.

NO QUESTION OF FORUM NON-CONVENIENS IS PRESENTED

In an attempt to add support to the argument that a wholly new approach pervades the present attitudes toward "doing business", Petitioner brings to the discussion

the problems dealt with under 28 U.S.C. 1404 (a), providing for "transfer" of causes for "convenience" or "in the interest of justice." This statute would seem to be confined in its effect to cases where the court has jurisdiction in the first instance and venue lies, but the court is of the view that the case should be tried in an "other district or division where it might have been brought." This Court so observed under the old *forum non-conveniens rule in Gulf Oil Corp. v. Gilbert,* 330 U.S. 501, 506-507 (1946). The lower court decisions since, have been consistent with the *Gulf* case in interpreting section 1404(a). The remedial character of 1404(a), in that it permits transfer without dismissal, removes the harsh possibility that rights influenced by lapse of time might be cut off by a dismissal under the bare *non-conveniens* doctrine.

The scope of discretion granted under this new section presents difficult problems as this Court has recognized in *Norwood v. Kirkpatrick,* 349 U.S. 29 (1955); but these problems do not include or bear upon the question of when venue lies in a diversity case. The observations made in *Kilpatrick v. Texas & P. Ry. Co.,* 166 F. 2d 788, 790-791 (C.A. 2nd, 1948), that the rule of the *International Shoe* case is indistinguishable from the rule of *forum non-conveniens* are directed to the "fair play" aspects of the constitutional question of due process. In a diversity case where a State rule is challenged, as it is here, for declining to hold the defendant, the bearing of Section 1404 (a) would seem extremely remote.

As indicated earlier in this brief, there is no question presented on the record involving application of Section 1404 (a).

III.

RULE 4(d)(7) DOES NOT CONFLICT WITH THE ERIE DOCTRINE

Petitioner injects the point that the interpretation of Rule 4 (d) (7) of the Federal Rules of Civil Procedure, which treats the manner of service, has been carried far in the First Circuit even to the point of bringing in the "doing business" requirement. Such would seem unnecessary, but, in any event, the point has no bearing here since at no stage of this proceeding has any reliance whatever been placed upon this or any other interpretation of Rule 4 (d) (7). It is to be observed, however, that this rule was so framed as to reflect a full regard for the local prevailing rule and in this sense confirms the *Erie* doctrine.

IV.

THE STATE RULE WAS PROPERLY APPLIED

The Appeal Court's determination of the applicable law of the State is ordinarily not disturbed. This Court stated in *Ragan v. Merchants Tranfser Co.*, 337 U.S. 530, 534 (1939):

> " * * * We ordinarily accept the determination of local law by the Court of Appeals (see *Huddleston v. Dwyer*, 322 U.S. 232, 237) * * * ."

Nevertheless, since Petitioner challenges both the Appeal Court's interpretation of the Illinois rule and its application, it is necessary to answer.

The attack on the interpretation is based primarily upon a contention that the *Erie* doctrine requires that the rule of the State be extrapolated from the last available State decision in the direction of whatever may be the detectable trend. This may have a certain appeal, but

its weakness is the danger that federal decisions would, by such a formula, become a substantial element in forming, as well as reflecting, the State rule.

The Illinois decisions resorted to illustrate the point, both *Pembleton v. Illinois Commercial Men's Association,* 289 Ill. 99, 124 N.E. 355 (1919), and *Darling & Co. v. Rauh & Sons Fertilizer Co.,* 242 Ill. App. 375 (1926), properly observed that Illinois could not adopt a rule contravening due process, but neither relinquishes the right of Illinois to determine its own policies within the confines of due process.

The citation of the Illinois "Civil Practice Act", not yet in effect, is an interesting example of the hazards of "anticipating" the State rule. When this codification goes into effect, Illinois will purportedly restrict its jurisdiction of non-resident defendants, even though transiently in the jurisdiction, to four specifically defined categories of actions. Until the Illinois Courts have spoken concerning these restrictions the trend might easily be overestimated. Instead of four, it might be assumed that five and ultimately six or more restricted categories will be adopted.

Looking forward to the coming into effect of these new Illinois restrictions, Petitioner attempts to obtain a finding of fact by this Court which both Courts below declined. The thing sought is a holding that Respondent's announced intention of continuing to use "Riverbank" to mark doors made and sold by it at Neenah, Wisconsin, somehow is a piece of business transacted in Illinois or is a tort committed in Illinois. The record is devoid of any showing of any unlicensed sale or delivery of a Riverbank door in the State of Illinois. The nearest thing approaching is a single isolated instance of the mailing of an out-

dated pamphlet procurred by Petitioner's volunteer, Hammerberg, three days after the patent expired and while Respondent was still subject to royalty.

For this reason it is believed that Petitioner's reference in its brief (page 22) to the Illinois Civil Practice Code, not quoted and not yet in effect, coupled with an assertion, unsupported by the findings, of a claimed tort disputedly committed in Illinois is a palpable attempt to set the stage for a subsequent move by Petitioner. Upon the coming into effect of the new Illinois Civil Practice Code in 1956, it will become incumbent upon Petitioner to show, not only presence in Illinois, but also an unauthorized transaction under "Riverbank" by Respondent in Illinois or a tort by Respondent involving "Riverbank" in Illinois. It is improper to ask this Court for an anticipatory factual determination pertinent primarily to such an eventuality.

The declaratory relief initially sought by the complaint before the patent expired was for all intents and purposes the sole basis for the preliminary injunction. The preliminary injunction is not in any way confined geographically. It strikes at and holds under control all of Respondent's business in Neenah, Wisconsin. It is in Wisconsin and under the laws of Wisconsin that this diversity case should be submitted and tried.

CONCLUSION

The wr t should be dismissed, the decision of the Court of Appeals affirmed and the case remanded for dismissal.

Respectfully submitted,

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